

Senate File 350 - Introduced

SENATE FILE 350
BY COMMITTEE ON ECONOMIC
GROWTH

(SUCCESSOR TO SSB 1116)

A BILL FOR

1 An Act relating to the administration of programs by the
2 economic development authority by creating a renewable
3 chemical production tax credit, modifying the tax credit for
4 investments in qualifying businesses and community-based
5 seed capital funds, modifying the entrepreneur investment
6 awards program, making miscellaneous changes to other
7 economic development authority programs, and including
8 effective date and retroactive and other applicability
9 provisions.
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

RENEWABLE CHEMICAL PRODUCTION TAX CREDIT

1
2
3 Section 1. Section 15.119, subsection 2, Code 2015, is
4 amended by adding the following new paragraph:

5 NEW PARAGRAPH. *h.* The renewable chemical production tax
6 credit program administered pursuant to sections 15.315 through
7 15.320. In allocating tax credits pursuant to this subsection,
8 the authority shall not allocate more than fifteen million
9 dollars for purposes of this paragraph.

10 Sec. 2. NEW SECTION. 15.315 **Short title.**

11 This part shall be known and may be cited as the "*Renewable*
12 *Chemical Production Tax Credit Program*".

13 Sec. 3. NEW SECTION. 15.316 **Definitions.**

14 As used in this part, unless the context otherwise requires:

15 1. "*Biobased content percentage*" means, with respect to any
16 renewable chemical, the amount, expressed as a percentage, of
17 renewable organic material present as determined by testing
18 representative samples using the American society for testing
19 and materials standard D6866.

20 2. "*Biomass feedstock*" means sugar, polysaccharide,
21 glycerin, lignin, fat, grease, or oil derived from a plant or
22 animal, or a protein capable of being converted to a building
23 block chemical by means of a biological or chemical conversion
24 process.

25 3. "*Building block chemical*" means a molecule converted
26 from biomass feedstock as a first product or a secondarily
27 derived product that can be further refined into a higher-value
28 chemical, material, or consumer product. "*Building block*
29 *chemical*" includes but is not limited to glycerol, methanoic
30 or formic acid, arabonic acid, erythronic acid, glyceric acid,
31 glycolic acid, lactic acid, 3-hydroxypropionate, propionic
32 acid, malonic acid, serine, succinic acid, fumaric acid,
33 malic acid, aspartic acid, 3-hydroxybutyrolactone, acetoin,
34 threonine, itaconic acid, furfural, levulinic acid, glutamic
35 acid, xylonic acid, xylaric acid, xylitol, arabitol, citric

1 acid, aconitic acid, 5-hydroxymethylfurfural, lysine, gluconic
2 acid, glucaric acid, sorbitol, gallic acid, ferulic acid,
3 nonfuel butanol, nonfuel ethanol, a polymer or gum that can be
4 produced directly from a protein-based biomass feedstock, or
5 such additional molecules as may be included by the authority
6 by rule.

7 4. *“Eligible business”* means a business meeting the
8 requirements of section 15.317.

9 5. *“Food additive”* means a building block chemical that
10 is not primarily consumed as food but which, when combined
11 with other components, improves the taste, appearance, odor,
12 texture, or nutritional content of food. The authority, in its
13 discretion, shall determine whether or not a building block
14 chemical is primarily consumed as food.

15 6. *“Program”* means the renewable chemical production tax
16 credit program administered pursuant to this part.

17 7. *“Renewable chemical”* means a building block chemical
18 with a biobased content percentage of at least fifty percent.
19 *“Renewable chemical”* does not include a chemical sold or used
20 for the production of food, feed, or fuel. *“Renewable chemical”*
21 includes cellulosic ethanol, starch ethanol, or other ethanol
22 derived from biomass feedstock, fatty acid methyl esters,
23 or butanol, but only to the extent that such molecules are
24 produced and sold for uses other than food, feed, or fuel.
25 *“Renewable chemical”* also includes a building block chemical
26 that can be a food additive as long as the building block
27 chemical is not primarily consumed as food and is also sold
28 for uses other than food. *“Renewable chemical”* also includes
29 supplements, vitamins, nutraceuticals, and pharmaceuticals, but
30 only to the extent that such molecules do not provide caloric
31 value so as to be considered sustenance as food or feed.

32 8. *“Sugar”* means the organic compound glucose, fructose,
33 xylose, arabinose, lactose, sucrose, starch, cellulose, or
34 hemicellulose.

35 Sec. 4. NEW SECTION. 15.317 Eligibility requirements.

1 To be eligible to receive the renewable chemical production
2 tax credit pursuant to the program, a business shall meet all
3 of the following requirements:

4 1. The business is physically located in this state.

5 2. The business is operated for profit and under single
6 management.

7 3. The business is not an entity providing professional
8 services, health care services, or medical treatments or an
9 entity engaged primarily in retail operations.

10 4. The business organized, expanded, or located in the state
11 on or after the effective date of this division of this Act.

12 5. The business shall not be relocating or reducing
13 operations as described in section 15.329, subsection 1,
14 paragraph "b", and as determined under the discretion of the
15 authority.

16 6. The business is in compliance with all agreements entered
17 into under this program or other programs administered by the
18 authority.

19 Sec. 5. NEW SECTION. 15.318 **Eligible business application**
20 **and agreement — maximum tax credits.**

21 1. *Application.*

22 a. An eligible business that produces a renewable chemical
23 in this state from biomass feedstock during a calendar year may
24 apply to the authority for the renewable chemical production
25 tax credit provided in section 15.319.

26 b. The application shall be made to the authority in the
27 manner prescribed by the authority.

28 c. The application shall be made during the calendar year
29 following the calendar year in which the renewable chemicals
30 are produced.

31 d. The authority may accept applications on a continuous
32 basis or may establish, by rule, an annual application
33 deadline.

34 e. The application shall include all of the following
35 information:

1 (1) The amount of renewable chemicals produced in the state
2 from biomass feedstock by the eligible business during the
3 calendar year, measured in pounds.

4 (2) Any other information reasonably required by the
5 authority in order to establish and verify eligibility under
6 the program.

7 2. *Agreement and fees.*

8 a. Before being issued a tax credit under section 15.319,
9 an eligible business shall enter into an agreement with the
10 authority for the successful completion of all requirements of
11 the program.

12 b. The compliance cost fees authorized in section 15.330,
13 subsection 12, shall apply to all agreements entered into
14 under this program and shall be collected by the authority in
15 the same manner and to the same extent as described in that
16 subsection.

17 c. An eligible business shall fulfill all the requirements
18 of the program and the agreement before receiving a tax credit
19 or entering into a subsequent agreement under this section.
20 The authority may decline to enter into a subsequent agreement
21 under this section or issue a tax credit if an agreement is not
22 successfully fulfilled.

23 d. Upon establishing that all requirements of the program
24 and the agreement have been fulfilled, the authority shall
25 issue a tax credit and related tax credit certificate to the
26 eligible business stating the amount of renewable chemical
27 production tax credit under section 15.319 the eligible
28 business may claim.

29 3. *Maximum tax credit amount.*

30 a. The maximum amount of tax credit that may be issued under
31 section 15.319 to an eligible business for the production of
32 renewable chemicals in a calendar year shall not exceed the
33 following:

34 (1) In the case of an eligible business that has been in
35 operation in the state for five years or less at the time of the

1 application, one million dollars.

2 (2) In the case of an eligible business that has been in
3 operation in the state for more than five years at the time of
4 the application, five hundred thousand dollars.

5 *b.* An eligible business shall not receive a tax credit for
6 renewable chemicals produced before the date the business first
7 qualified as an eligible business pursuant to section 15.317.

8 *c.* An eligible business shall not receive more than five tax
9 credits under the program.

10 *d.* The authority shall issue tax credits under the program
11 on a first-come, first-served basis until the maximum amount of
12 tax credits allocated pursuant to section 15.119, subsection
13 2, paragraph "h", is reached. The authority shall maintain
14 a list of successful applicants under the program, so that
15 if the maximum aggregate amount of tax credits is reached in
16 a given fiscal year, eligible businesses that successfully
17 applied but for which tax credits were not issued shall be
18 placed on a wait list in the order the eligible businesses
19 applied and shall be given priority for receiving tax credits
20 in succeeding fiscal years. Placement on a wait list pursuant
21 to this paragraph shall not constitute a promise binding the
22 state. The availability of a tax credit and issuance of a tax
23 credit certificate pursuant to this subsection in a future
24 fiscal year is contingent upon the availability of tax credits
25 in that particular fiscal year.

26 4. *Termination and repayment.* The failure by an eligible
27 business in fulfilling any requirement of the program or any of
28 the terms and obligations of an agreement entered into pursuant
29 to this section may result in the reduction, termination,
30 or rescission of the tax credits under section 15.319 and may
31 subject the eligible business to the repayment or recapture of
32 tax credits claimed. The repayment or recapture of tax credits
33 pursuant to this subsection shall be accomplished in the same
34 manner as provided in section 15.330, subsection 2.

35 5. *Confidentiality.*

1 *a.* Except as provided in paragraph "b", any information
2 or record in the possession of the authority with respect to
3 the program shall be presumed by the authority to be a trade
4 secret protected under chapter 550 or common law and shall be
5 kept confidential by the authority unless otherwise ordered by
6 a court.

7 *b.* The identity of a tax credit recipient and the amount
8 of the tax credit shall be considered public information under
9 chapter 22.

10 Sec. 6. NEW SECTION. **15.319 Renewable chemical production**
11 **tax credit.**

12 1. An eligible business that has entered into an agreement
13 pursuant to section 15.318 may claim a tax credit equal to
14 the product of five cents multiplied by the number of pounds
15 of renewable chemicals produced in this state from biomass
16 feedstock by the eligible business during the calendar year.
17 However, an eligible business shall not receive a tax credit
18 for the production of a secondarily derived building block
19 chemical if that chemical is also the subject of a credit at
20 the time of production as a first product. The renewable
21 chemical production tax credit shall not be available for any
22 renewable chemical produced after the 2025 calendar year.

23 2. The tax credit shall be allowed against taxes imposed
24 under chapter 422, division II or III.

25 3. The tax credit shall be claimed for the tax year during
26 which the eligible business was issued the tax credit.

27 4. An individual may claim a tax credit under this section
28 of a partnership, limited liability company, S corporation,
29 cooperative organized under chapter 501 and filing as a
30 partnership for federal tax purposes, estate, or trust electing
31 to have income taxed directly to the individual. The amount
32 claimed by the individual shall be based upon the pro rata
33 share of the individual's earnings from the partnership,
34 limited liability company, S corporation, cooperative, estate,
35 or trust.

1 5. Any tax credit in excess of the tax liability is
2 refundable. In lieu of claiming a refund, the taxpayer
3 may elect to have the overpayment shown on the taxpayer's
4 final, completed return credited to the tax liability for the
5 following tax year.

6 6. a. To claim a tax credit under this section, a taxpayer
7 shall include one or more tax credit certificates with the
8 taxpayer's tax return.

9 b. The tax credit certificate shall contain the taxpayer's
10 name, address, tax identification number, the amount of the
11 credit, the name of the eligible business, and any other
12 information required by the department of revenue.

13 c. The tax credit certificate, unless rescinded by the
14 authority, shall be accepted by the department of revenue as
15 payment for taxes imposed pursuant to chapter 422, divisions II
16 and III, subject to any conditions or restrictions placed by
17 the authority upon the face of the tax credit certificate and
18 subject to the limitations of the program.

19 d. Tax credit certificates issued pursuant to this section
20 shall not be transferred to any other person.

21 Sec. 7. NEW SECTION. 15.320 Rules.

22 The authority and the department of revenue shall each adopt
23 rules as necessary for the implementation and administration
24 of this part.

25 Sec. 8. NEW SECTION. 422.10A Renewable chemical production
26 tax credit.

27 The taxes imposed under this division, less the credits
28 allowed under section 422.12, shall be reduced by a renewable
29 chemical production tax credit allowed under section 15.319.

30 Sec. 9. Section 422.33, Code 2015, is amended by adding the
31 following new subsection:

32 NEW SUBSECTION. 22. The taxes imposed under this division
33 shall be reduced by a renewable chemical production tax credit
34 allowed under section 15.319.

35 Sec. 10. EFFECTIVE UPON ENACTMENT. This division of this

1 Act, being deemed of immediate importance, takes effect upon
2 enactment.

3 Sec. 11. APPLICABILITY. This division of this Act applies
4 to renewable chemicals produced in the state from biomass
5 feedstock on or after the effective date of this division of
6 this Act.

7 Sec. 12. RETROACTIVE APPLICABILITY. This division of this
8 Act applies retroactively to January 1, 2015, for tax years
9 beginning on or after that date.

10 DIVISION II

11 ANGEL INVESTOR TAX CREDITS

12 Sec. 13. Section 2.48, subsection 3, paragraph d,
13 subparagraph (1), Code 2015, is amended to read as follows:

14 (1) Tax credits for investments in qualifying businesses
15 ~~and community-based seed capital funds~~ under chapter 15E,
16 division V.

17 Sec. 14. Section 15.119, subsection 2, paragraph d, Code
18 2015, is amended to read as follows:

19 d. The tax credits for investments in qualifying businesses
20 ~~and community-based seed capital funds~~ issued pursuant to
21 section 15E.43. In allocating tax credits pursuant to this
22 subsection, the authority shall allocate two million dollars
23 for purposes of this paragraph, unless the authority determines
24 that the tax credits awarded will be less than that amount.

25 Sec. 15. Section 15E.41, Code 2015, is amended by striking
26 the section and inserting in lieu thereof the following:

27 **15E.41 Purpose.**

28 The purpose of this division is to stimulate job growth,
29 create wealth, and accelerate the creation of new ventures by
30 using investment tax credits to incentivize the transfer of
31 capital from investors to entrepreneurs, particularly during
32 early-stage growth.

33 Sec. 16. Section 15E.42, Code 2015, is amended by adding the
34 following new subsection:

35 NEW SUBSECTION. 2A. *Entrepreneurial assistance*

1 *program* includes the entrepreneur investment awards program
2 administered under section 15E.362, the receipt of services
3 from a service provider engaged pursuant to section 15.411,
4 subsection 1, or the program administered under section 15.411,
5 subsection 2.

6 Sec. 17. Section 15E.42, subsection 3, Code 2015, is amended
7 to read as follows:

8 3. "*Investor*" means a person making a cash investment in
9 a qualifying business ~~or in a community-based seed capital~~
10 ~~fund~~. "*Investor*" does not include a person that holds at least
11 a seventy percent ownership interest as an owner, member, or
12 shareholder in a qualifying business.

13 Sec. 18. Section 15E.42, subsection 4, Code 2015, is amended
14 by striking the subsection.

15 Sec. 19. Section 15E.43, subsections 1 and 2, Code 2015, are
16 amended to read as follows:

17 1. *a.* For tax years beginning on or after January 1, ~~2002~~
18 2015, a tax credit shall be allowed against the taxes imposed
19 in chapter 422, divisions II, III, and V, and in chapter 432,
20 and against the moneys and credits tax imposed in section
21 533.329, for a portion of a taxpayer's equity investment,
22 as provided in subsection 2, in a qualifying business ~~or a~~
23 ~~community-based seed capital fund~~.

24 *b.* An individual may claim a tax credit under this
25 ~~paragraph~~ section of a partnership, limited liability company,
26 S corporation, estate, or trust electing to have income
27 taxed directly to the individual. The amount claimed by the
28 individual shall be based upon the pro rata share of the
29 individual's earnings from the partnership, limited liability
30 company, S corporation, estate, or trust.

31 ~~*b.*~~ *c.* A tax credit shall be allowed only for an investment
32 made in the form of cash to purchase equity in a qualifying
33 business ~~or in a community-based seed capital fund~~. ~~A~~
34 ~~taxpayer that has received a tax credit for an investment in~~
35 ~~a community-based seed capital fund shall not claim the tax~~

1 ~~credit prior to the third tax year following the tax year in~~
 2 ~~which the investment is made. Any tax credit in excess of the~~
 3 ~~taxpayer's liability for the tax year may be credited to the~~
 4 ~~tax liability for the following five years or until depleted,~~
 5 ~~whichever is earlier. A tax credit shall not be carried back~~
 6 ~~to a tax year prior to the tax year in which the taxpayer~~
 7 ~~redeems the tax credit.~~

8 ~~c. In the case of a tax credit allowed against the taxes~~
 9 ~~imposed in chapter 422, division II, where the taxpayer died~~
 10 ~~prior to redeeming the entire tax credit, the remaining credit~~
 11 ~~can be redeemed on the decedent's final income tax return.~~

12 d. For an investment made by a natural person, any tax
 13 credit in excess of the tax liability is refundable. In lieu
 14 of claiming a refund, the taxpayer may elect to have the
 15 overpayment shown on the taxpayer's final, completed return
 16 credited to the tax liability for the following tax year. For
 17 any other person, any tax credit in excess of the taxpayer's
 18 liability for the tax year may be credited to the tax liability
 19 for the following three years or until depleted, whichever is
 20 earlier. A tax credit shall not be carried back to a tax year
 21 prior to the tax year in which the taxpayer redeems the tax
 22 credit.

23 2. A The amount of the tax credit shall equal twenty
 24 twenty-five percent of the taxpayer's equity investment. The
 25 maximum amount of a tax credit for an investment by an investor
 26 in any one qualifying business shall be fifty thousand dollars.
 27 Each year, an investor and all affiliates of the investor shall
 28 not claim tax credits under this section for more than five
 29 different investments in five different qualifying businesses
 30 that may be claimed per tax year by a natural person and the
 31 person's spouse, child, or sibling shall not exceed one hundred
 32 thousand dollars combined. The maximum amount of tax credits
 33 that may be issued per tax year for equity investments in any
 34 one qualifying business shall not exceed five hundred thousand
 35 dollars.

1 Sec. 20. Section 15E.43, subsections 5 and 7, Code 2015, are
2 amended to read as follows:

3 5. A tax credit shall not be ~~transferable~~ transferred to any
4 other ~~taxpayer~~ person.

5 7. The authority shall develop a system for registration
6 and ~~authorization~~ issuance of tax credits authorized pursuant
7 to this division and shall control distribution of all tax
8 ~~credits distributed~~ credit certificates to investors pursuant
9 to this division. The authority shall develop rules for the
10 qualification and administration of qualifying businesses
11 and ~~community-based seed capital funds~~. The department of
12 revenue shall adopt ~~these criteria as administrative rules and~~
13 ~~any other~~ rules pursuant to chapter 17A as necessary for the
14 administration of this division.

15 Sec. 21. Section 15E.43, subsections 6 and 8, Code 2015, are
16 amended by striking the subsections.

17 Sec. 22. Section 15E.44, subsection 2, paragraph c, Code
18 2015, is amended by striking the paragraph and inserting in
19 lieu thereof the following:

20 c. The business is participating in an entrepreneurial
21 assistance program. The authority may waive this requirement
22 if a business establishes that its owners, directors, officers,
23 and employees have an appropriate level of experience such
24 that participation in an entrepreneurial assistance program
25 would not materially change the prospects of the business.
26 The authority may consult with outside service providers in
27 consideration of such a waiver.

28 Sec. 23. Section 15E.44, subsection 2, paragraphs e and f,
29 Code 2015, are amended to read as follows:

30 e. The business shall not have a net worth that exceeds five
31 ten million dollars.

32 f. The business shall have secured all of the following at
33 the time of application for tax credits:

34 (1) At least two investors.

35 (2) ~~total~~ Total equity financing, ~~near equity financing,~~

1 binding investment commitments, or some combination thereof,
2 equal to at least ~~two hundred fifty~~ five hundred thousand
3 dollars, from investors. For purposes of this subparagraph,
4 "investor" includes a person who executes a binding investment
5 commitment to a business.

6 Sec. 24. Section 15E.46, Code 2015, is amended to read as
7 follows:

8 **15E.46 Reports Confidentiality — reports.**

9 1. Except as provided in subsection 2, all information or
10 records in the possession of the authority with respect to
11 this division shall be presumed by the authority to be a trade
12 secret protected under chapter 550 or common law and shall be
13 kept confidential by the authority unless otherwise ordered by
14 a court.

15 2. All of the following shall be considered public
16 information under chapter 22:

17 a. The identity of a qualifying business.

18 b. The identity of an investor and the qualifying business
19 in which the investor made an equity investment.

20 c. The number of tax credit certificates issued by the
21 authority.

22 d. The total dollar amount of tax credits issued by the
23 authority.

24 3. The authority shall publish an annual report of the
25 activities conducted pursuant to this division and shall
26 submit the report to the governor and the general assembly.
27 The report shall include a listing of eligible qualifying
28 businesses and the number of tax credit certificates and the
29 amount of tax credits issued by the authority.

30 Sec. 25. Section 15E.52, subsection 4, Code 2015, is amended
31 to read as follows:

32 4. A taxpayer shall not claim a tax credit under this
33 section if the taxpayer is a venture capital investment fund
34 allocation manager for the Iowa fund of funds created in
35 section 15E.65 or an investor that receives a tax credit for

1 the same investment in a qualifying business as described in
2 section 15E.44 or in a community-based seed capital fund as
3 described in section 15E.45, Code 2015.

4 Sec. 26. Section 422.11F, subsection 1, Code 2015, is
5 amended to read as follows:

6 1. The taxes imposed under this division, less the credits
7 allowed under section 422.12, shall be reduced by an investment
8 tax credit authorized pursuant to section 15E.43 for an
9 investment in a qualifying business ~~or a community-based seed~~
10 ~~capital fund~~.

11 Sec. 27. Section 422.33, subsection 12, paragraph a, Code
12 2015, is amended to read as follows:

13 a. The taxes imposed under this division shall be reduced by
14 an investment tax credit authorized pursuant to section 15E.43
15 for an investment in a qualifying business ~~or a community-based~~
16 ~~seed capital fund~~.

17 Sec. 28. Section 422.60, subsection 5, paragraph a, Code
18 2015, is amended to read as follows:

19 a. The taxes imposed under this division shall be reduced by
20 an investment tax credit authorized pursuant to section 15E.43
21 for an investment in a qualifying business ~~or a community-based~~
22 ~~seed capital fund~~.

23 Sec. 29. Section 432.12C, subsection 1, Code 2015, is
24 amended to read as follows:

25 1. The tax imposed under this chapter shall be reduced by
26 an investment tax credit authorized pursuant to section 15E.43
27 for an investment in a qualifying business ~~or a community-based~~
28 ~~seed capital fund~~.

29 Sec. 30. REPEAL. Section 15E.45, Code 2015, is repealed.

30 Sec. 31. EFFECTIVE UPON ENACTMENT. This division of this
31 Act, being deemed of immediate importance, takes effect upon
32 enactment.

33 Sec. 32. APPLICABILITY. Unless otherwise provided in this
34 division of this Act, this division of this Act applies to
35 equity investments in a qualifying business made on or after

1 the effective date of this division of this Act, and equity
2 investments made in a qualifying business or community-based
3 seed capital fund prior to the effective date of this division
4 of this Act shall be governed by sections 15E.41 through
5 15E.46, 422.11F, 422.33, 422.60, 432.12C, and 533.329, Code
6 2015.

7 Sec. 33. APPLICABILITY. The sections of this division
8 of this Act amending section 15E.44, subsection 2, apply
9 to businesses that submit an application to the economic
10 development authority to be registered as a qualifying business
11 on or after the effective date of this division of this Act,
12 and businesses that submit an application to the economic
13 development authority to be registered as a qualifying business
14 before the effective date of this division of this Act shall be
15 governed by section 15E.44, subsection 2, Code 2015.

16 DIVISION III

17 ENTREPRENEUR INVESTMENT AWARDS PROGRAM

18 Sec. 34. Section 15E.362, Code 2015, is amended by striking
19 the section and inserting in lieu thereof the following:

20 **15E.362 Entrepreneur investment awards program.**

21 1. For purposes of this division, unless the context
22 otherwise requires:

23 *a. "Business development services"* includes but is not
24 limited to corporate development services, business model
25 development services, business planning services, marketing
26 services, financial strategies and management services,
27 mentoring and management coaching, and networking services.

28 *b. "Eligible entrepreneurial assistance provider"* means a
29 person meeting the requirements of subsection 3.

30 *c. "Financial assistance"* means the same as defined in
31 section 15.327.

32 *d. "Program"* means the entrepreneur investment awards
33 program administered pursuant to this division.

34 2. The authority shall establish and administer an
35 entrepreneur investment awards program for purposes of

1 providing financial assistance to eligible entrepreneurial
2 assistance providers that provide technical and financial
3 assistance to entrepreneurs and start-up companies seeking to
4 create, locate, or expand a business in the state. Financial
5 assistance under the program shall be provided from the
6 entrepreneur investment awards program fund created in section
7 15E.363.

8 3. In order to be eligible for financial assistance under
9 the program an entrepreneurial assistance provider must meet
10 all of the following requirements:

11 a. The provider must have its principal place of operations
12 located in this state.

13 b. The provider must offer a comprehensive set of business
14 development services to emerging and early-stage innovation
15 companies to assist in the creation, location, growth, and
16 long-term success of the company in this state.

17 c. The business development services may be performed at the
18 physical location of the provider or the company.

19 d. The business development services may be provided in
20 consideration of equity participation in the company, a fee
21 for services, a membership agreement with the company, or any
22 combination thereof.

23 4. Entrepreneurial assistance providers may apply for
24 financial assistance under the program in the manner and form
25 prescribed by the authority.

26 5. The economic development authority board in its
27 discretion may approve, deny, or defer each application
28 for financial assistance under the program from persons
29 it determines to be an eligible entrepreneurial assistance
30 provider.

31 6. Subject to subsection 7, the amount of financial
32 assistance awarded to an eligible entrepreneurial assistance
33 provider shall be within the discretion of the authority.

34 7. a. The maximum amount of financial assistance awarded
35 to an eligible entrepreneurial assistance provider shall not

1 exceed two hundred thousand dollars.

2 *b.* The maximum amount of financial assistance provided under
3 the program shall not exceed one million dollars in a fiscal
4 year.

5 8. The authority shall award financial assistance on a
6 competitive basis. In making awards of financial assistance,
7 the authority may develop scoring criteria and establish
8 minimum requirements for the receipt of financial assistance
9 under the program. In making awards of financial assistance,
10 the authority may consider all of the following:

11 *a.* The business experience of the professional staff
12 employed or retained by the eligible entrepreneurial assistance
13 provider.

14 *b.* The business plan review capacity of the professional
15 staff of the eligible entrepreneurial assistance provider.

16 *c.* The expertise in all aspects of business disciplines
17 of the professional staff of the eligible entrepreneurial
18 assistance provider.

19 *d.* The access of the eligible entrepreneurial assistance
20 provider to external service providers, including legal,
21 accounting, marketing, and financial services.

22 *e.* The service model and likelihood of success of the
23 eligible entrepreneurial assistance provider and its similarity
24 to other successful entrepreneurial assistance providers in the
25 country.

26 *f.* The financial need of the eligible entrepreneurial
27 assistance provider.

28 9. Financial assistance awarded to an eligible
29 entrepreneurial assistance provider shall only be used for
30 the purpose of operating costs incurred by the eligible
31 entrepreneurial assistance provider in providing business
32 development services to emerging and early-stage innovation
33 companies in this state. Such financial assistance shall not
34 be distributed to owners or investors of the company to which
35 business development services are provided and shall not be

1 distributed to other persons assisting with the provision of
2 business development services to the company.

3 10. The authority may contract with outside service
4 providers for assistance with the program or may delegate
5 the administration of the program to the Iowa innovation
6 corporation pursuant to section 15.106B.

7 11. The authority may make client referrals to eligible
8 entrepreneurial assistance providers.

9 Sec. 35. Section 15E.363, subsection 3, Code 2015, is
10 amended to read as follows:

11 3. The Moneys credited to the fund are appropriated to
12 the authority and shall be used to provide grants under the
13 entrepreneur investment awards program established in section
14 15E.362 financial assistance under the program.

15 DIVISION IV

16 MISCELLANEOUS CHANGES

17 Sec. 36. Section 15.355, subsection 2, Code 2015, is amended
18 to read as follows:

19 2. A housing business may claim a refund of the sales and
20 use taxes paid under chapter 423 that are directly related
21 to a housing project. The refund available pursuant to this
22 subsection shall be as provided in section 15.331A ~~to the~~
23 extent applicable for purposes of this program, excluding
24 subsection 2, paragraph "c", of that section. For purposes of
25 the program, the term "project completion", as used in section
26 15.331A, shall mean the date on which the authority notifies
27 the department of revenue that all applicable requirements
28 of an agreement entered into pursuant to section 15.354 are
29 satisfied.

30 Sec. 37. SPECIAL PROJECT EXTENSION. Notwithstanding
31 any other provision of law to the contrary, the economic
32 development authority may extend the project completion
33 date for a project awarded tax incentives under both the
34 redevelopment tax credit program in sections 15.293A and
35 15.293B and the housing enterprise zone tax incentives program

1 in section 15E.193B, Code 2014, if the property that is the
2 subject of the project suffered a catastrophic fire during the
3 2014 calendar year.

4 Sec. 38. EFFECTIVE UPON ENACTMENT. The section of this
5 division of this Act amending section 15.355, being deemed of
6 immediate importance, takes effect upon enactment.

7 Sec. 39. RETROACTIVE APPLICABILITY. The section of
8 this division of this Act amending section 15.355 applies
9 retroactively to July 1, 2014, for all agreements entered into
10 pursuant to section 15.354 on or after that date.

11 EXPLANATION

12 The inclusion of this explanation does not constitute agreement with
13 the explanation's substance by the members of the general assembly.

14 This bill relates to the administration of programs by the
15 economic development authority (EDA) by creating a renewable
16 chemical production tax credit, modifying the tax credit for
17 investments in qualifying businesses and community-based seed
18 capital funds, and modifying the entrepreneur investment awards
19 program.

20 DIVISION I — RENEWABLE CHEMICAL PRODUCTION TAX CREDIT.

21 Division I creates a renewable chemical production tax credit
22 program (program) that will be administered by the EDA and that
23 will provide tax credits to eligible businesses that produce
24 renewable chemicals in Iowa from biomass feedstock. "Renewable
25 chemical", "biomass feedstock", and other related terms are
26 defined in the division.

27 In order to qualify for the tax credit, a business must
28 meet several requirements. First, the business must be
29 physically located in Iowa and operated for profit under
30 single management. Second, the business must not be an
31 entity providing professional services, health care services,
32 or medical treatments, or be engaged primarily in retail
33 operations. Third, the business must have organized, expanded,
34 or located in Iowa on or after the effective date of the
35 division. Fourth, the business must not be, in the discretion

1 of the EDA, ineligible under certain provisions relating to the
2 relocation or reduction of business operations within Iowa.
3 Fifth, the business must be in compliance with all agreements
4 entered into under the program or other programs administered
5 by the EDA.

6 An eligible business seeking a tax credit is required
7 to apply to the EDA during the calendar year following the
8 calendar year in which the renewable chemicals are produced.
9 The application must include the amount of renewable chemicals
10 produced in Iowa from biomass feedstock by the eligible
11 business during the calendar year, measured in pounds, and any
12 other information reasonably required by the EDA in order to
13 establish and verify eligibility under the program. The EDA
14 may accept applications on a continuous basis or may establish
15 an annual application deadline.

16 Before being issued a tax credit, an eligible business
17 is required to enter into an agreement with the EDA for the
18 successful completion of all requirements of the program. The
19 EDA is authorized to impose two compliance cost fees under the
20 program. The first fee equals \$500 per agreement. The second
21 fee equals 0.5 percent of the value of the tax credit claimed
22 pursuant to the agreement if the agreement has an aggregate tax
23 credit value of \$100,000 or greater.

24 An eligible business that fails to comply with the
25 requirements of the program or the terms of an agreement with
26 the EDA may have its tax credits reduced, terminated, or
27 rescinded, and may be subject to the repayment or recapture of
28 claimed tax credits.

29 Upon determining that all requirements of an agreement and
30 the program have been fulfilled, the EDA shall issue a tax
31 credit and related tax credit certificate to the eligible
32 business in an amount equal to the product of \$.05 multiplied
33 by the number of pounds of renewable chemicals produced in Iowa
34 from biomass feedstock by the eligible business during the
35 calendar year. Renewable chemicals produced by an eligible

1 business prior to the effective date of the division, or
2 prior to the date the business first qualifies as an eligible
3 business, or after calendar year 2025, shall not qualify for
4 the tax credit.

5 The tax credit shall be claimed for the tax year during
6 which the eligible business was issued the tax credit. The tax
7 credit may be claimed against the individual income tax and the
8 corporate income tax. The credit is refundable or may, at the
9 election of the taxpayer, be carried forward for up to one tax
10 year. The tax credit shall not be transferred to any person. A
11 tax credit issued to a partnership, limited liability company,
12 S corporation, cooperative organized under Code chapter 501
13 and filing as a partnership for federal tax purposes, estate,
14 or trust electing to have the income taxed directly to the
15 individual may be claimed by the individual based upon the pro
16 rata share of the individual's earnings from that entity.

17 The division provides that the program is subject to the
18 EDA's maximum aggregate tax credit cap of \$170 million per
19 fiscal year in Code section 15.119, and not more than \$15
20 million per fiscal year may be issued by the EDA under the
21 program. In addition, the maximum amount of tax credit that
22 may be issued to an eligible business in any one calendar year
23 shall not exceed \$1 million or \$500,000, depending on whether
24 the eligible business has been operating in Iowa at the time of
25 application for five or fewer years, or more than five years,
26 respectively. An eligible business shall not receive more than
27 five tax credits under the program. The EDA is required to
28 issue tax credits on a first-come, first-served basis until the
29 maximum amount of \$15 million per fiscal year is reached. If
30 the amount of tax credits exceeds this amount in a fiscal year,
31 the EDA is required to establish a wait list and give priority
32 in subsequent years to the eligible businesses on the wait
33 list.

34 The division provides for the confidentiality of certain
35 information under the program. The identity of a tax credit

1 recipient and the amount of the tax credit shall be considered
2 public information under Code chapter 22 (examination of public
3 records), but any other information or record in the possession
4 of the EDA with respect to the program shall be presumed by
5 the EDA to be a trade secret protected under Code chapter 550
6 or common law and shall be kept confidential by the EDA unless
7 otherwise ordered by a court.

8 The division takes effect upon enactment and applies to
9 renewable chemicals produced in Iowa from biomass feedstock on
10 or after that date. The division applies retroactively to tax
11 years beginning on or after January 1, 2015.

12 DIVISION II — ANGEL INVESTOR TAX CREDITS. Division II
13 makes several changes to the tax credit for investments in
14 qualifying businesses and community-based seed capital funds,
15 often referred to as the angel investor tax credits. The
16 division amends the purpose of the tax credit in Code section
17 15E.41. The division excludes investments in community-based
18 seed capital funds from qualifying for the tax credit and
19 makes several conforming amendments to remove references to
20 community-based seed capital funds from the Code.

21 The division modifies the amount and dollar limitation of
22 the tax credit for a taxpayer. The tax credit is increased
23 from 20 percent to 25 percent of a taxpayer's equity investment
24 in a qualifying business. Under current law, a taxpayer cannot
25 claim more than \$50,000 of tax credit per investment in a
26 qualifying business, and for each tax year a taxpayer and the
27 taxpayer's affiliates cannot claim tax credits for more than
28 five investments in five different qualifying businesses. The
29 division amends this dollar limitation to prohibit a natural
30 person and the person's spouse, child, or sibling from claiming
31 a combined amount of more than \$100,000 in tax credits per tax
32 year.

33 The division also provides that no more than \$500,000 in tax
34 credits may be issued per tax year for equity investments in
35 any one qualifying business.

1 The division modifies the procedures for claiming the tax
2 credit. Under current law, the tax credit is not refundable
3 but available for carryforward for up to five tax years. The
4 division makes the tax credit refundable for an investment
5 made by a natural person, and for any other person reduces the
6 carryforward period to three years.

7 The division strikes a provision permitting the EDA
8 to cooperate with small business development centers to
9 disseminate information regarding the credits and to develop
10 standard application forms, and requiring the EDA to distribute
11 copies of the application forms to all community-based seed
12 capital funds and potential individual investors.

13 The division modifies the eligibility requirements for
14 qualifying businesses. The division strikes the requirement
15 that a business have an owner that meets at least one of
16 four qualifications relating to business education or
17 business experience. The division requires that a business
18 be participating in an entrepreneurial assistance program,
19 as defined in the division, but allows the EDA to waive this
20 requirement if the business establishes that its owners,
21 directors, officers, and employees have an appropriate level
22 of experience such that an entrepreneurial assistance program
23 would not materially change the prospects of the business.
24 The EDA is allowed to consult with outside service providers
25 in considering such a waiver. The division increases from \$5
26 million to \$10 million the maximum amount of net worth that
27 a business may have to be considered a qualifying business.
28 The division increases from \$250,000 to \$500,000 the amount of
29 financing that a business must have in order to be considered a
30 qualifying business, removes "near equity" from the types of
31 financing that will be considered in that calculation, requires
32 that the financing be secured at the time of application for
33 the tax credits, and requires that the business have at least
34 two investors at the time of application for the tax credits.
35 These modified eligibility requirements apply to businesses

1 that submit an application to the EDA to be registered as a
2 qualifying business on or after the effective date of this
3 division of the bill, and businesses that submitted such an
4 application to the EDA before the effective date of this
5 division of the bill shall be governed by current law.

6 The division provides for the confidentiality of certain
7 information with regard to the tax credit. The identity of
8 a qualifying business, the identity of an investor and the
9 qualifying business in which the investor made an equity
10 investment, and the total number and amount of tax credits
11 issued shall be considered public information under Code
12 chapter 22 (examination of public records), but any other
13 information or record in the possession of the EDA with respect
14 to the program shall be presumed by the EDA to be a trade secret
15 protected under Code chapter 550 or common law and shall be
16 kept confidential by the EDA unless otherwise ordered by a
17 court.

18 The division takes effect upon enactment and applies to
19 equity investments in a qualifying business made on or after
20 that date. Equity investments in a qualifying business or
21 community-based seed capital fund made prior to the effective
22 date of the division shall be governed by current law.

23 DIVISION III — ENTREPRENEUR INVESTMENT AWARDS PROGRAM.

24 Division III amends the entrepreneur investment awards program
25 administered by the EDA. The division strikes provisions that
26 prohibited the EDA from making awards under the program since
27 July 1, 2014, and that required the EDA by December 31, 2014,
28 to conduct a comprehensive review of the program and submit
29 a report with specified information to the governor and the
30 general assembly.

31 The division modifies the purpose of the program to be
32 to provide financial assistance to eligible entrepreneurial
33 assistance providers (provider) that provide technical and
34 financial assistance to entrepreneurs and start-up companies
35 seeking to create, locate, or expand a business in Iowa.

1 "Financial assistance" is defined in the division.

2 The division changes the requirements for receiving an
3 award. To be eligible to receive an award under current
4 law, an entrepreneurial assistance program must have been
5 an Iowa-based business, expended at least \$500,000 during
6 the previous fiscal year to provide technical and financial
7 assistance services that meet the broad-based needs of
8 entrepreneurs seeking to create, locate, or expand a business
9 in Iowa that intends to derive more than 10 percent of its
10 gross sales from markets outside Iowa; and must have engaged
11 and communicated with certain other programs, funding sources,
12 and entities for its entrepreneur clients. The division
13 amends the eligibility for receiving financial assistance to
14 require that a provider have its principal place of operations
15 in Iowa and that the provider offer a comprehensive set of
16 business development services to emerging and early-stage
17 innovation companies to assist in the creation, location,
18 growth, and long-term success of the company in Iowa.

19 "Business development services" is defined in the division.
20 Business development services may be performed at the physical
21 location of the provider or the company and may be provided in
22 consideration of equity participation in the company, a fee for
23 services, or a membership agreement with the company.

24 Under current law, the EDA board could approve, deny, or
25 defer each application for a grant, and was required to award
26 grants on a first-come, first-served basis. The division
27 specifies that the EDA board has the discretion to approve,
28 deny, or defer each application for financial assistance and
29 that the amount of financial assistance awarded to a provider
30 is within the discretion of the EDA. The division requires
31 the EDA to award financial assistance on a competitive basis
32 and allows the EDA to develop scoring criteria and establish
33 minimum requirements for the receipt of a financial assistance
34 award.

35 In addition to the four factors relating to the provider's

1 professional staff that the EDA may consider under current
2 law in deciding whether to award financial assistance, the
3 division provides that the EDA may also consider the service
4 model and likelihood of success of the provider, the provider's
5 similarity to other successful providers in the country, and
6 the provider's financial need.

7 The division modifies the maximum award amount for a
8 recipient. Under current law, a grant to an entrepreneur
9 assistance program cannot exceed the lesser of 25 percent of
10 the funds expended by the program during the previous fiscal
11 year, 100 percent of the funds raised from certain persons
12 by the program during the previous fiscal year, or \$200,000.
13 The division provides that the amount of financial assistance
14 awarded to any one provider shall not exceed \$200,000.

15 The division modifies the permitted use of funds received
16 under the program. Under current law, grants are only
17 permitted to be used for the purpose of operating costs
18 incurred by the program. The division specifies that financial
19 assistance awarded to a provider shall only be used for
20 the purpose of operating costs incurred by the provider in
21 the provision of business development services to emerging
22 and early-stage innovation companies in Iowa. The division
23 further requires that such financial assistance shall not be
24 distributed to owners or investors of the company to which the
25 business development services are being provided and shall not
26 be provided to other persons assisting with the provision of
27 the services.

28 Under current law, an entrepreneurial assistance provider is
29 required to accept client referrals from the EDA as a condition
30 of receiving a grant. The division provides that the EDA may
31 make client referrals to eligible providers.

32 DIVISION IV — MISCELLANEOUS CHANGES. Division IV makes
33 several miscellaneous changes to other EDA programs. The
34 division amends the sales and use tax refund available under
35 the workforce housing tax incentive program. That refund

1 is available for sales and use tax paid prior to project
2 completion, which is currently defined to mean the first date
3 upon which the average annualized production of finished
4 product for the preceding 90-day period at the manufacturing
5 facility operated by the eligible business is at least 50
6 percent of the initial design capacity of the facility. The
7 division amends the definition of "project completion" to mean
8 the date on which the EDA notifies the department of revenue
9 that all applicable requirements of a workforce housing tax
10 incentive program agreement are satisfied. This provision
11 takes effect upon enactment and applies retroactively to July
12 1, 2014, for all workforce housing tax incentive agreements
13 entered into on or after that date.

14 The division allows the EDA to extend the project
15 completion date for a project awarded tax incentives under the
16 redevelopment tax credit program and the housing enterprise
17 zone tax incentives program if the property that is the subject
18 of the project suffered a catastrophic fire during the 2014
19 calendar year.